

**SPECIAL MEETING  
BOARD OF MAYOR AND ALDERMEN  
IN JOINT SESSION WITH THE  
BOARD OF SCHOOL COMMITTEE**

**February 17, 2004**

**6:00 PM**

Mayor Baines called the meeting to order in Joint Session with the Board of School Committee at the School Administration Building.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Garrity.

Mayor Baines called for a moment of silent prayer asking to keep in your thoughts and prayers this evening Dr. Selma Deitch. About a week or so ago we lost one of the most dedicated public servants that this community has ever seen. Her work with Child Health Services is legendary; her commitment to our community and the welfare of our children is certainly legendary as well, so we offer our thoughts and prayers in memory of Selma tonight and for her family in this time of grief.

The Clerk called the roll.

Present:     *Board of Aldermen*  
Aldermen Roy, Gatsas, Sysyn, Osborne, O’Neil, Lopez, Shea,  
DeVries, Garrity, Smith, Thibault, Forest  
  
                  *Board of School Committee*  
School Committee Members Stewart, O’Brien, Scott, Herbert,  
Labanaris, Gatsas, Donovan, Kelley, Gelinas, Kruse, Beaudry, Cote, Ouellette

Absent:       Aldermen Guinta and Porter; and  
School Committee Members Ouellette and Perry

Mayor Baines advised that the purpose of the meeting this evening is that we are going to recess the meeting after a while to go into non-public session to meet with our Chief Negotiator, but what I wanted to do is what we have tried to do every year since I've been Mayor to give an analysis of where the City is at at the present time financially. As you know, right up until the time we set the budget in June the financial picture of the City remains quite volatile and we'll talk a little bit about that during our presentation and, of course, the most significant portion of that volatility is still related to what's going on in Concord with the Adequacy funding. So, these are things that we have to monitor very, very closely. But, what we are going to do is I am going to have the Finance Officer give a presentation after which we'll entertain some questions and then we'll go into non-public session so we can talk to the Chief Negotiator about negotiations and what this Board would like to accomplish during negotiations. So, I'll turn it over at this time to Kevin Clougherty our Finance Officer.

Mr. Clougherty stated as the Mayor stated he asked if I would put together a few brief slides that might give a little bit of a landscape as we go into the '05 budget so that people will have some reference points as to what we're looking at. If you look at just the municipal side of the budget we're in the process now where we've received our input from the departments in terms of what they expect for expenditures and for revenues and the fiscal '05 municipal non-property tax revenue forecast...the departments have keyed into the system are reflecting about a 2.5% growth rate in revenues year-over-year and this is based upon an assumed (slight) improvement in the economy, an assumed (slight) interest rate environment increase after election and an assumed stable employment projection for the region. Also, what we've done on the City side, as part of the budget process is we've asked the Assessors to give us some projections, very preliminary at this point, in terms of what their expectations are with respect to the tax base. They feel comfortable, at this time, projecting a modest \$30 million increase in property valuation and it's expected really that no major increase will be realized until the revaluation is completed in fiscal year '05. Also, the national regional economy is...we're talking to economist all of the time and it's their feeling that the economy does remain fragile and that in light of potential State Education funding reductions every effort should be made to keep municipal reserve funds stable. On the School District side where the City is projecting a forecast that shows an increase in non-property tax revenues...the School District really isn't enjoying that same situation as you might expect where the City has auto registrations and permit fees that reflect the economy and revenues that can grow than the School District side. It really is just tuition and State grants. So, there's really not an expectation from the School Department administration that non-property tax revenue forecasts that they're projecting are that things are going to remain flat. And, the State Education funding component if you take a look at non-property tax revenues...State Educating funding is, as we all know volatile. We've looked at different scenarios and the different bills up there and the differences range from pluses of a million bucks to a decrease of \$5 million. So, we hope that in considering things going forward that we be prudent in developing a budget and that we'd probably look at a scenarios that's based

on keeping things relatively flat, relatively level-funded in terms of the initial passes at a budget. But, we have to understand that there may be some things that are out of our control and that take place in Concord that could have a very serious implication for the City in terms of a reduction in revenue. The last bullet up there...this last bullet, I think is important is that it's unlikely that the State Education funding question will be answered before the City has to adopt its fiscal '05 budget. As you know, under the Charter we have to adopt our budget by the second Tuesday in June that maybe the Legislature doesn't decide the Education funding levels until the end of June. So, the City may have to adopt a budget and once the budget is adopted react to some action taken by the Legislature and in light of that again we go to the previous bullet point that says we "should consider adopting a budget based upon level revenues and develop a plan to address potential losses after the budget is adopted." If we find ourselves in a situation where a budget has been adopted once the budget has been approved the Boards should be starting to think about what actions could we take jointly or cooperatively to try and deal with our adoption. One of the things is if you don't do anything then the State Department of Revenue is going to automatically raise taxes to fill that deficit and if it's a \$5 million deficit they'll raise the taxes to fill that deficit. The other things is that we can hope that the School District will reduce some spending and work within its appropriation to try and address the problem and depending on how that gap is...if it's \$200,000, it's a deficit that's less of a problem than a \$5 million deficit. So, all of these items have to be tempered with the idea that depending on the size of the deficit you could use these or any combination of them...Tax Rate Stabilization Fund is also something that would come into play...that is why it was set up and that would be available...there's about \$1.5 million there that we could use for that purpose and again on the City side the Board could reduce municipal appropriations to help offset some type of a deficit if that were necessary. This final line..."some combination of the above"...is probably what we'd be looking to do. We'd work together, hopefully, to come back with a package and I think everybody's hope is that the number would be minimal but that there's no guarantee of that right now. All that being said if you take \$30 million in new assessed valuation, what that does is gets you an additional \$792,000 worth of spending city-wide and based on that \$30 million increase you'd get about a \$5.2 billion valuation and in planning your budget and moving forward every million dollars that is added to the budget adds \$.19 to the tax rate and .07's almost one percent of a tax rate increase. Every additional \$10 million valuation gets you an additional \$.05 on the tax rate and about .02% of a tax rate decrease. Those are the brief comments that I have, Mayor, that layout some of the parameters for consideration.

Mayor Baines asked are there any questions from members of the Board.

Alderman Gatsas stated, Kevin, can you go back to that slide that shows us \$30 million and what's the valuation...this came from the Assessors'.

Mr. Clougherty stated right...the preliminary number and at this point in the budget they thought that given the trends they've seen at about \$30 million in new assessed valuation was achievable.

Alderman Gatsas asked what about the \$40 million at the Riverfront.

Mr. Clougherty replied that's not included, that's not what we're talking about here, Alderman, that's different...that's my understanding because that's new valuation that will not come on necessarily this year, but in future years.

Alderman Gatsas asked will it come on in '05?

Mr. Clougherty replied no. Remember, you don't have to raise all of the debt service. The debt service is staggered in.

Mayor Baines asked are there any other questions from the Boards before we recess.

Alderman Lopez stated I just need clarification, Kevin. If we approve a budget and we do get the revenues from the State...let's just say hypothetically...we approve a budget (a) and then we find out that we get a million dollars or two million dollars in excess from the State for revenue...could you go through the procedure here when we find that revenue what happens, how we can distribute that either city-wide or...meaning the School Department too.

Mr. Clougherty replied again I've given you an off-the-hip response here and certainly under those conditions I want to talk to Tom Clark and to legal to make sure, but my feeling is if after you adopted the budget in the unlikely scenario that you got more money than you were expecting because I don't think there's more money at the State, I think you're going to be lucky to stay where you are or maybe be lower. But in the event that you did adopt a budget, you did have revenue that was in excess...I'll remind you that the Adequacy Grant has to go to the education program. It can't be used for something else. So, if after the budget is adopted that revenue were to come in it would be applied to the tax rate. Now, there are some provisions for supplemental appropriations and I'd have to go back and take a look at it, but it's unlikely that you would be able to...given the timing...turn something around to be able to use that...probably go to reduce the taxes.

Alderman Lopez stated I would like both the City Solicitor and Finance to take a look at 604 of the City Charter after adoption.

Mr. Clougherty stated we'd be happy to go back and layout the procedure that could be followed.

School Committee Member Herbert asked would it be fair to characterize what you just told us is that essentially our revenue stream is flat because everything is flat. The \$30 million on \$5.2 billion is less than half of a percent...even if we got the \$4 million, we being the School District...additional \$1 million that's still less than one percent of our budget, so in effect what you're saying is that City expenditures have to be flat from last year.

Mr. Clougherty stated I don't think we want to get into discussion of City side versus School side because the bottom line is the taxpayer is the person that's paying for it. But, on the City side remember that revenues are increasing and with increased valuation the City has the capability to do something on its side that would not have a tax consequence because you're talking about additional...possibly \$2.5-\$3 million on the City side. But, again, when formulating your budget you look at what is the City side and what is the School District side and how does that work. So, you may not be able to increase spending on the City side up to that amount of additional revenues and taxes because you want to take into consideration how that will affect the School District and how jointly it'll affect the taxpayer.

Alderman Shea stated I have a question for Senator Gatsas tonight. Ted, is it true that the Legislature would not come up with a particular amount for this School District until the end of June or is the process going quicker and then we'd know beforehand?

Alderman Gatsas replied we presented the Senate bill today and there were 50 or 60 people there testifying, but my understanding is that the House and the Senate plan on adjourning sometime the first part of May. So, Kevin could be right or he could be wrong.

Mr. Clougherty stated if I'm wrong that would be great.

Alderman Shea asked in terms of how much we're going to get or when it would be started?

Alderman Gatsas jokingly replied whether we're still going to be there or not, I don't know. But, I think it's important to understand that there's a piece of legislation that has passed, that's in law, was passed last year. We still have not been given the spreadsheets of what the interpretation of that law may be in the Department of Education because even though the intent of the Legislature would be one thing they're interpretation could be another. So, I guess my answer is with all reasonable people, I would think that the funding for the City of Manchester would not be less than the \$45.5 or in that vicinity that people have been looking at.

Alderman Shea stated so if they were to anticipate that they would probably be on solid ground.

Alderman Gatsas stated I would never want to make a prediction of solid ground up there.

Alderman Shea stated but you're anticipating that the...I know that reading the paper there is some concern about being fair to the poorer communities and I'm assuming that for a community would be Manchester because of the differences that we have between other cities but your best insight at this time would be that if they anticipated receiving approximately the same amount...maybe a little bit more, a little bit less...that they would probably be in the ballpark.

Alderman Gatsas stated I would say that it would be very difficult, right now, to pass anything through the Senate that deviated from where we were from last year or this year's compromise position. So, the answer to your question would be using the \$45.5 is probably a reasonable number.

Alderman Thibault asked are there any other new State-mandated programs that are not being funded by the State that are leveled to the City at this point, does anybody know that?

Mr. Clougherty replied I don't know that for sure maybe someone from the School District does, but I would think that that falls under the State Constitution for an unfunded mandate against the State, so there's a real sensitivity at the State level not to pass down things that aren't funded because they understand they'd be open for a constitutional battle.

Mayor Baines interjected the Federal government has not problem that.

Alderman Gatsas stated Catastrophic Aid is going to be discounted, I believe, at 8% from what...not that the City will lose the money, but because of the budget allocation...the budget allocation was \$19.6 million, it came in at \$20.8 million so there's been a discount applied the State so that every community will have a discounted rate so that the balance will be received by the City in the following year. It's not that you lose the money but it takes a year longer to get it.

Mayor Baines asked are there any other questions before we recess this meeting. Again, we have to end this meeting by seven as you know for the regular meeting of the Board.

Mayor Baines recessed the meeting for the purpose of holding a negotiation strategy session.

Mayor Baines called the meeting back to order.

This being a special meeting in Joint Session, no further business was presented, and on motion of School Committee Member Kruse, duly seconded by Alderman Thibault, it was voted to adjourn.

A True Record. Attest.

City Clerk